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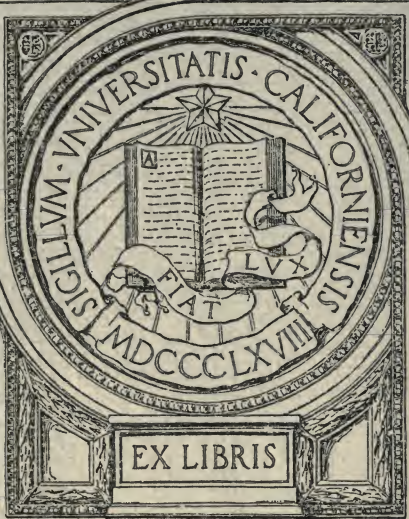
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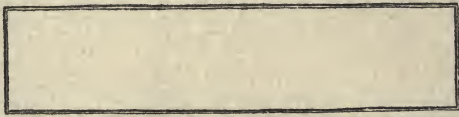


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A man in office without means must abandon the hope of making the future of his family luxuriously comfortable. All a man can do under existing circumstances to safeguard his family is to get his life insured.

—WM. H. TAFT.

# LIFE INSURANCE AND ITS BENEFITS

By HON. WM. H. TAFT

Ex-President of the United States



WRITTEN ESPECIALLY FOR THE SPECTATOR

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1913

THE SPECTATOR COMPANY

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*EX-PRESIDENT TAFT'S SPLENDID INDORSE-  
MENT OF LIFE INSURANCE*

THE special article written for the Quinquennial Number of THE SPECTATOR by Ex-President William H. Taft should prove of inestimable value in spreading the gospel of life insurance and in removing any distrust in the system that may possibly lurk in the minds of the uninformed public. Mr. Taft is known to be a man of conservative temperament and deep sincerity. In a letter addressed by him to the Editor, when submitting his manuscript of the article printed in other pages, he wrote:

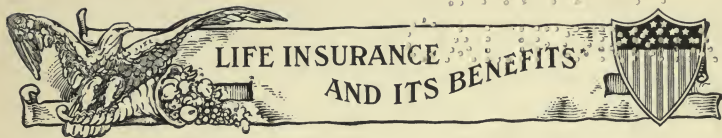
I hope the article will not seem too long to you and will not be setting up too many elemental principles. I believe every word I have said, and would not wish to write an article in which I did not.

Anything that Mr. Taft writes about life insurance is bound to inspire universal confidence and will be accepted as conclusive by millions of Americans. Moreover, Mr. Taft practices what he preaches. He now carries \$60,000 of life insurance and \$10,000 of accident insurance. His strong and unselfish sense of duty is reflected in the following paragraph of his article, which should be an inspiration to his countrymen:

There is no cause that I know of that works on a conscientious man who loves his wife and his children so much as the prospect of leaving them helpless in the world and dependent on others; and there is nothing comparable to the relief from this worry that the instrumentality of life insurance offers to a man who has a family and who has only his brains and his hands to support them from year to year, and who must regard his possible death as the launching of those near and dear to him upon a helpless sea of trouble and want.

Mr. Taft believes that the people generally share his ideas as to the necessity of carrying life insurance and he testifies to that belief as follows:

It is to the lasting credit of the American people that they are coming more and more to realize the necessity for life insurance and are in constantly increasing numbers availing themselves of its benefits. This fact is significant of the love of home and family that characterizes the average American and of the sense of responsibility that is his highest domestic virtue.



BY HON. WILLIAM H. TAFT, EX-PRESIDENT OF THE UNITED STATES.

(Special Contribution to The Quinquennial Number)



HAVE been asked by the Editors of THE SPECTATOR to say what I think about life insurance, and as I have thought a good deal about it, and, for a man of very moderate means, have invested a good deal in it, I am quite willing to say what I do think about it, and why I favor it as one of the great institutions of modern society.

#### SECURITY ONE MOTIVE FOR SAVING

Two things must be provided for in order to induce men who have made money, or are making it, to save it. First, they must have confidence that, being saved, it can be kept in a safe place, so that they can have it when they would. This means not merely a condition of law and courts by which they can enforce the right of ownership and recover the money, but a security by which, without anything but the expression of a desire for it, the savings will be forthcoming. The machinery must be evident which will retain the money where the owner can get at it and be sure to have it when he needs it. Hence, the enormous use of the savings banks for the deposit, by the comparatively poor, of small savings, which, in the aggregate, run up into billions of dollars, and far outstrip the total capital of the multi-millionaires whose acquisitions at times give so much concern to public-minded citizens.

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## COMPENSATION IN FORM OF INTEREST SECOND MOTIVE

In addition to the security of payment, another element enters into the motive for saving, and that is the compensation paid to the saver for the use of what he has saved. In respect to this, of course, the greater the security, the less the interest. This principle is exemplified in the operation of the postal savings banks which have just been established in the United States, though they long had proved useful in foreign countries. The postal savings bank is an institution to stimulate saving on the part of those who will trust no one except the government. They will trust no bank, and unless they can secure government guaranty of return they will save their money—when they save it—by carrying it on their persons, or by concealing it about their houses. As this is rather an unsafe method and frequently results in loss, it fails to stimulate savings as does the security offered by the government in a postal savings bank. The succession of events in the use of postal savings banks is instructive. After the ignorant foreigner, who trusts only the government and with whom security is of sole importance, has made deposits in the postal bank, he begins to learn, by the receipt of two per cent a year on his money, that there is some virtue in interest; and studying the question more, he learns that he can secure greater interest at a savings bank, and this leads him to risk something in security to increase his returns, and so he becomes a depositor in the savings bank.

## WORLD'S CAPITAL CHIEFLY MADE UP OF SMALL SAVINGS

These plain statements of fact that I have just made are commonplace and prosaic enough, and yet it is necessary to formulate them in order to bring home to the ordinary citizen what so frequently escapes him in dealing with economic questions—that the capital of the world, upon which the business of the world is done, and which grows apace from year to year and is represented in new railroad construction, enlarged



industries, manufactures, agricultural production and all forms of commercial progress, is not chiefly made up by the aggregation of a comparatively few large contributions from the so-called capitalists and bankers of the world, but it is made up far more through these innumerable agencies for saving the small deposits of the multitude.

#### LIFE INSURANCE A MOST IMPORTANT INSTRUMENT IN AMASSING SMALL SAVINGS AND APPLYING THEM AS CAPITAL

Life insurance is a somewhat more complicated and intricate machine for saving, but one which, in its way, is growing to be as important as the savings bank. Life insurance presents peculiar advantages in securing a great amount of comparatively small savings by one of the largest classes in our social structure. I refer to the professional, salaried and skilled labor classes.

#### PERMITS A TRANSMUTING OF ONE'S PROFESSIONAL SKILL INTO MONEY

The simple life insurance contract, by which, in consideration of the payment of a fixed sum per year during the life of the insured, the company agrees, at the end of that life, to pay the representative or family of the insured a certain sum, is really a plan by which the insured transmutes into money, to be paid at his death, a certain part of the value of his skill, experience and professional knowledge. Take a physician, who spends all the time of his life until he is twenty-five in preparing himself for his profession. During the next forty-five years certainly he must earn all that he possibly can, not only to enable him to live during that forty-five years and bring up a family, but also to accumulate something to represent the value, as capital, of that which he spent his youth and young manhood to acquire in the way of professional skill. Suppose, now, that instead of living to be seventy, he dies at thirty-five; then he has lost, and his family have lost, that

potentiality of earning a handsome income during thirty-five years that would have been his had he lived to the age of the Psalmist. But by sharing a part of his annual income in premiums for life insurance he secures the opportunity to appropriate to the use of his family a partial money equivalent of his professional skill and experience for the probable length of his life, even though his life may be prematurely ended. The same thing is true of the salaried teacher, the salaried man engaged in any clerical or other skilled work, whether his income be called salary or wages.

#### INSURANCE GIVES ONE MAN THE BENEFIT OF THE AVERAGE LIFE OF MANY HEALTHY MEN

The insurance company, because it has a very large number of risks, by proper medical examination can exclude bad risks and fix the premiums to be paid so as to reduce the probability of loss on all the risks. In other words, the company averages and neutralizes the losses from the short-lived by the premiums received from the longer lives of others similarly situated. The insured may thus acquire, through this adjustment by the insurance company, the benefit in money's worth of the average chance of life of a large class of healthy men similarly situated. If a man lives, the more he contributes to his life insurance, the less it costs him per year, because the greater the dividends he will receive from the profits of the company itself, assuming that it is a mutual company, as many of the modern companies are.

#### INSURANCE ONE OF GREAT BENEFITS OF MODERN SOCIETY FOR PROFESSIONAL AND SALARIED MEN AND WAGE- EARNERS

I regard the opportunity that professional, salaried and skilled labor men have to invest in life insurance as one of the great benefits of our modern society. I would not mini-

mize the advantage of life insurance to capitalists and business men, by insurance in various forms of policies, to make up for the possible losses they may suffer in their ordinary investments and business, but I am discussing the phase of life insurance that comes home to me with the greatest force.

#### CHIEF BENEFIT OF INSURANCE CONTRACT ITS DURESS-WIELDING EFFECT TO COMPEL SAVINGS

The most beneficial feature of life insurance seems to me to be the duress that the terms of the contract exercise over the policyholder to save. No matter how long he lives, the terms of the contract are such that, with the penalty of forfeiture for non-payment of premiums before each holder of a policy, he will strain every nerve and resort to every honorable resource to have the money ready upon the day appointed to meet his annual premiums. It is this sense of obligation, stronger than any I know in our commercial and business world, that makes life insurance so useful to the great majority of those who resort to it and assume its burdens. Your income may be such at one time that you lightly assume the obligation. At another time, when your expenses increase, the burden of the payment becomes heavier; but the very existence of the burden is a restraint upon the increase of expenses and works always for the benefit of the insured and his family.

Of course, life insurance has a great many other uses than the mere provision against the death of the salaried and professional class, and it has a great many forms different from that of the straight life policy; but they all of them necessarily involve the principle of saving of the premiums contributed for a long time and investing them in dividend-paying investments until the event happens, upon which either the principal or dividends are to be paid to the policyholder.

## ANOTHER BOON OF LIFE INSURANCE A MEANS OF AVOIDING WORRY

Life insurance confers another great boon upon men of small or no means, but of good earning capacity. It serves to save and husband their nervous vitality. One of the greatest causes for waste in the exercise of human energy is nervous worry. Where worry only stimulates to a greater effort and more thorough preparation, it is useful, but where it goes far beyond this and burns up nervous vitality unnecessarily it is waste without return. There is no cause that I know of that works on a conscientious man who loves his wife and his children so much as the prospect of leaving them helpless in the world and dependent on others; and there is nothing comparable to the relief from this worry that the instrumentality of life insurance offers to a man who has a family and who has only his brain and his hands to support them from year to year, and who must regard his possible death as the launching of those near and dear to him upon a helpless sea of trouble and want. If, by provident contribution from his annual income, he can secure, upon his possible death, the immediate payment of money enough to enable his family to live and to keep the wolf from the door and to educate the children until they are self-supporting, then the burden of worry and of interference with his peace of mind and with his working capacity is lifted from him; he is in the happy frame of mind and can say that, measured by dollars, he is more valuable to his family dead than alive. The perception of these truths by a great number of people in every community is what explains the enormous amounts now invested in life insurance in this country.

## RIGHT AND DUTY OF THE STATE TO SUPERVISE INSURANCE BUSINESS

Life insurance is so large a business and enters so minutely into the happiness of hundreds of thousands of individuals

that the State may properly claim the right to supervise it, to impose upon it restrictions for the security of those who ought to be its beneficiaries and may be its victims, and by constant examination to see to it that the millions and billions of money entrusted to the companies engaged in this work are properly invested for the benefit of those whose faith in the honesty of the company managers has led to their straining every nerve to meet the annual premiums on the policies which they have taken out. \* \* \*

### PUBLIC REALIZES NECESSITY OF LIFE INSURANCE.

It is to the lasting credit of the American people that they are coming more and more to realize the necessity for life insurance and are in constantly increasing numbers availing themselves of its benefits. This fact is significant of the love of home and family that characterizes the average American, and of the sense of responsibility that is his highest domestic virtue.

In the last five years the growth of the total life insurance business of the country has been phenomenal. The new business written and paid for in 1907 amounted to \$1,939,000,000, as against \$2,887,000,000 in 1911, while the business paid for in 1912 was \$3,232,871,138. At the close of 1907 there was in force \$14,080,000,000 of ordinary and industrial life insurance in the United States. Four years later this had grown to the enormous sum of \$18,002,000,000, and the total amount of insurance in force at the end of the year 1912 was \$19,218,263,143. Vast as these sums are, they represent but a portion of the insurable value of the lives of our citizens, and there is a rich field for the further cultivation of savings by these means.

### THE PART OF THE LIFE INSURANCE COMPANIES DONE WELL

On the whole, the life insurance companies are doing their part in the evolution of this great business with conspicuous

ability and with admirable fidelity to the trust imposed in them. They can hardly have a greater responsibility. Their difficult task is to guard the accumulated trust funds, now nearly four and a half billion of dollars, with the most scrupulous watchfulness, to keep them invested with due regard to productiveness and absolute security, and, finally, to carry out with exact justice the provisions of contracts as they mature from day to day on into the distant future. This is a labor of the highest importance to the community at large. They must be alert to detect treachery and dishonesty, within the company, and fraud and conspiracies without. With many conflicting laws in the several States, they must carry on their business in conformity with such laws as best they may. They must decide the border line between liberality to their policyholders, in the matter of policy provisions, and what might be unsafe at times of excessive mortality or financial stress.

#### PLANS OF SOME COMPANIES TO PROMOTE GENERAL HYGIENE

It appears that some of the life insurance companies are carrying on educational plans looking to the conservation of life and health which cannot fail to be of great practical value to the whole country. Trained statisticians study and classify the conditions bearing upon mortality and disease in different sections of the country and under various industrial conditions, and, as a result of their investigations, steps are taken to improve hygienic regulations in communities and to abate the dangers incident to unhealthy occupations.

#### UNFOUNDED PREJUDICES AGAINST INSURANCE COMPANIES AND OTHER CORPORATIONS

There is a very strong prejudice against all corporations, and this includes insurance companies and railroad companies. In so far as the methods of these corporations have been properly subject to criticism a feeling of antagonism by the public is justified; but in many instances and generally it goes beyond

this, and it ought to moderate the feeling much and restore a desire to do justice to such corporations to have it understood what a large part of the money of insurance companies represents the savings of the many. Thus, there are 20,000,000 policyholders in American life insurance companies today, which itself speaks for the number of poor and comparatively poor persons who are interested in the capital and prosperity of insurance companies. Then the insurance companies have invested a large part of this capital in corporate investments. Thus the insurance companies doing business in New York own one-eighth of all the bonds issued by the railroad companies of this country, and their ownership of other securities of corporations is equally important. The significance of this should be brought home to the public at large in order to mitigate strong anti-capitalistic feeling, which really brings about injustice and tends to halt prosperity.

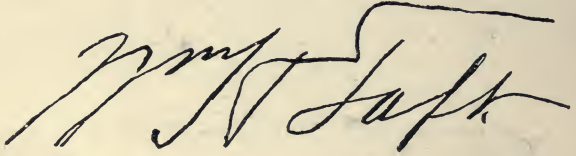
#### THE PEOPLE OWN THIS COUNTRY—NOT THE MILLIONAIRES

The people ought to know that it is the people, after all, that own this country, and it is their savings and their capital that run the great enterprises of this country, and not that of a few individuals, and that legislation intended to strike at capital to restrict its beneficial use by the people is a blow at themselves.

#### TOTAL ASSETS OF LEGAL RESERVE LIFE INSURANCE COMPANIES A BULWARK

At the end of the year 1911 the total admitted assets of the legal reserve life insurance companies doing business in the United States amounted to \$4,165,148,290, and by the first of January, 1913, these assets had grown to be \$4,404,744,039. This enormous sum, accumulated from every part of the country, and from all classes of citizens, is not only a bulwark against future want and poverty, but it is an ever-increasing

source of prosperity in the present. As it must be invested in order to carry out its purpose, it builds our railroads and our factories, finances our industrial and commercial enterprises, and distributes its potent streams in every direction, as irrigation spreads fertility in an arid land. It is one of the greatest modern instances of the power of a great people acting together for good.

A handwritten signature in cursive script, likely "Woodrow Wilson", written in dark ink. The signature is fluid and stylized, with a prominent initial 'W' and a long, sweeping underline.





EX-PRESIDENT WILLIAM H. TAFT AT YALE UNIVERSITY

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